

# \$26,000: The salary you need just to cover child care <sup>[1]</sup>

The British pay more for childcare than anywhere else in the world...

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EXCERPTS For Rebecca Spencer, a lone parent of a six-year-old child, trying to combine working with motherhood is a precarious financial balance. The 30-year-old works full time as a student support officer in a comprehensive school, a job she hopes will allow her to develop a career, as well as ensuring she gets nine weeks' holiday a year to spend with her daughter - plus help to minimize childcare costs. But Rebecca, whose childcare payments for before- and after-school club are a relatively low \$2,892 a year, can only manage this with the help of tax credits worth \$82 a week to supplement her (gross) salary of \$18,434. That support is about to shrink. Under the coalition's spending cuts, from April 2012 she will lose \$622 a year in tax credits, making the English graduate's financial situation even more difficult. "Having my tax credits reduced will make a sizeable difference," she says. "At the moment, I can pay my bills but that doesn't mean there's any money left over." The question of whether it pays for a mother to work is already a conundrum for many women, particularly those in London or the south-east, where childcare costs are highest, or those who are paying for more than one youngster in childcare. While childcare should be seen as the responsibility of both parents in a double-income household, in reality, the mother's wage is often weighed against the costs. And you only have to glance at social networking site Mumsnet to see that, particularly for two-parent families that can survive on one salary, spending all of a second one on childcare and commuting doesn't, financially, appear to make much sense. Of course, there are long-term career, monetary and psychological benefits. These include payments into pension plans; the security of a job that will be worth more once the preschool stage is over, and which can hopefully be retained in a recession; and a sense of identity beyond motherhood, the importance of which should not be overlooked - 68% of mothers go back to work, according to the latest figures from the Office for National Statistics. But when totting up childcare costs that average \$218 a week for a full-time nursery place for a child under two in London and \$176 for the rest of England, these may not come into play. As one female academic, who describes herself as at the top of the pay scale, commented on Mumsnet, after forking out \$1,800 a month for childcare and \$699 for petrol and her car loan, "it costs me \$99 a month to go to work". ... A parent requiring the same childcare outside London would need a salary of \$22,809, going up to \$26,573 if that person spends \$10 a day on travel costs and food. A parent working part-time and putting one child aged under two in a London nursery would need to earn \$13,660 to cover the fees. The changes to the tax credits system announced in October's comprehensive spending review suggest that the question of whether it makes financial sense for a lone parent, or both parents, to work, is going to be felt most acutely lower down the income scale. An analysis by independent research organization the Resolution Foundation suggests that, from 2012 when the cuts kick in, families on more modest household incomes of \$12,000 to \$30,000 - particularly those who rely on childcare to allow both parents to work, or lone parents in this income bracket - are going to be hit hardest by these changes. Taking inflation into account, the organization calculates that parents who receive the full support for childcare - especially working mothers living in the south-east who face the highest childcare costs - could lose as much as \$1,500 a year, or far more if they have two young children, creating a major disincentive to go out to work. "What we're talking about is a group whose incomes are too high to rely on state support, but too low to avoid a real day-to-day struggle," says Resolution policy analyst James Plunkett. Research conducted by the TUC for the Guardian shows that it is these low-to-middle income families - with median household earnings of \$23,300 and median income, including benefits, of \$27,092 - who will be disproportionately penalized. A lone parent of two children, working full time in London on just over the minimum wage of \$11,000, will lose \$1,905 of her tax credit entitlement compared to the amount she receives at present if both children are in full-time care. If she earns \$20,000, the cut will be \$2,085, and if she earns \$30,000, \$2,285. ... The cuts - which will affect 5.65 million families and save £2.4bn a year by the end of the parliament - have been brought about by freezing, slashing and reducing different elements of the hugely complicated child tax credit and working tax credit system. A lower measure of inflation - the consumer price index, rather than the retail price index - has been applied to certain elements; the entire award will be tapered more quickly; and the family element of the child tax credit - worth \$545 - will be tapered more quickly and at far lower incomes. Crucially, there will be a reduction in the amount of eligible childcare costs that can be claimed through working tax credit (WTC) from 80% to 70%. The poorest families receiving WTC can claim as much as \$240 a week for two children in childcare or \$140 for one child, but this will fall to \$210 a week for two children or \$122.50 for one child from April 2011. A total of 488,000 families receive WTC support for childcare costs, with 64% of these being lone parents. And, for those receiving the full award, finding an additional \$30 or \$17.50 a week may well be a step too far. "In some cases, as the costs of childcare rise, it could no longer be financially feasible for both parents to work," says Barber. Kate Groucutt, policy director of the Daycare Trust, adds: "We're concerned that it's going to be harder for lower- and middle-income families, particularly with cuts to the amount of childcare costs that can be claimed under WTC. We're concerned women will no longer be able to go to work and that, for lone parents, who make up the majority of claimants, it's going to be difficult to balance the family budget." The trust is also perturbed that wrap-around before- and after-school care - already sketchily implemented - will become less available since local authorities will be under no obligation to provide it, making it harder for mothers to work outside school hours. And it believes there should be greater financial support for working parents - who already pay significantly more for their childcare than in any other developed country, with a recent OECD study suggesting 33% of the average net income in the UK goes on this, compared to 11% in France, 8% in Germany, and 4% in Belgium. This is because childcare is far more heavily subsidised in these places. ... -reprinted from the

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